

The new Medicare prescription drug benefit provides drug coverage for Medicare beneficiaries, including those who also receive coverage from Medicaid. In addition, individuals eligible for both Medicare and Medicaid also receive the low-income subsidy for both the Medicare drug plan premium and assistance with cost sharing for prescriptions. Medicaid will no longer provide drug benefits for Medicare beneficiaries.

Since the Medicare drug benefit and low-income subsidy will replace a portion of State Medicaid expenditures for drugs, States will see a reduction in Medicaid expenditures. To offset this reduction, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108-173) requires each State to make a monthly payment to Medicare representing a percentage of the projected reduction. For 2006 this payment is 90 percent of the projected 2006 reduction in State spending. After 2006 the percentage decreases by  $1\frac{2}{3}$  percent per year to 75 percent for 2014 and later.



### For More Information

For more information about Medicare and Medicaid, please visit [www.cms.hhs.gov/home/medicaid.asp](http://www.cms.hhs.gov/home/medicaid.asp) on the CMS website.

### The Medicare Learning Network (MLN)

The Medicare Learning Network (MLN) is the brand name for official CMS educational products and information for Medicare fee-for-service providers. For additional information visit the Medicare Learning Network's web page at [www.cms.hhs.gov/MLNGenInfo](http://www.cms.hhs.gov/MLNGenInfo) on the CMS website.

This brochure was prepared as a service to the public and is not intended to grant rights or impose obligations. This brochure may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents.



# The Medicare-Medicaid Relationship



**CMS**  
CENTERS for MEDICARE & MEDICAID SERVICES

Medicare  
Learning  
Network

## Overview of Medicaid

Title XIX of the Social Security Act is a Federal/State entitlement program that pays for medical assistance for certain individuals and families with low incomes and resources. This program, known as Medicaid, became law in 1965 as a cooperative venture jointly funded by the Federal and State governments (including the District of Columbia and the Territories) to assist States in furnishing medical assistance to eligible needy persons. Medicaid is the largest source of funding for medical and health-related services for America's poorest people.

Within broad national guidelines established by Federal statutes, regulations, and policies, each State:

- Establishes its own eligibility standards;
- Determines the type, amount, duration, and scope of services;
- Sets the rate of payment for services; and
- Administers its own program.

Medicaid policies for eligibility, services, and payment are complex and vary considerably, even among States of similar size or geographic proximity. Thus, a person who is eligible for Medicaid in one State may not be eligible in another State, and the services provided by one State may differ considerably in amount, duration, or scope from services provided in a similar or neighboring State. In addition, State legislatures may change Medicaid eligibility, services, and/or reimbursement during the year.

## The Medicare-Medicaid Relationship

The Medicare Program (title XVIII of the Social Security Act) provides hospital insurance, also known as Part A coverage, and supplementary medical



insurance, also known as Part B coverage. Coverage for Part A is automatic for people age 65 or older (and for certain disabled persons) who have insured status under Social Security or Railroad Retirement. Most people don't pay a monthly premium for Part A. Coverage for Part A may be purchased by individuals who do not have insured status through the payment of monthly Part A premiums. Coverage for Part B requires payment of monthly premiums. People with Medicare who have limited income and resources may get help paying for their out-of-pocket medical expenses from their State Medicaid program. There are various benefits available to "dual eligibles" who are entitled to Medicare and are eligible for some type of Medicaid benefit. These benefits are sometimes also called "Medicare Savings Programs".

For people who are eligible for full Medicaid coverage, the Medicaid program supplements Medicare coverage by providing services and supplies that are available under their State's Medicaid program. Services that are covered by both programs will be paid first by Medicare and the difference by Medicaid, up to the State's payment limit. Medicaid may also cover additional services (e.g., nursing facility care beyond the 100 day limit covered by Medicare, prescription drugs, eyeglasses, and hearing aids).

Limited Medicaid benefits are also available to pay for out-of-pocket Medicare cost-sharing expenses for certain other Medicare beneficiaries. The Medicaid program will assume their Medicare payment liability if they qualify. Qualified Medicare Beneficiaries (QMB), with resources at or below twice the standard allowed under the Supplemental Security Income (SSI) program and income at or below 100 percent of the Federal poverty level (FPL), do not have to pay their monthly Medicare premiums, deductibles, and coinsurance.

Specified Low-Income Medicare Beneficiaries (SLMB), with resources at or below twice the standard allowed under the SSI program and income exceeding the QMB level, but less than 120 percent of the FPL do not have to pay the monthly Medicare Part B premiums. Qualifying Individuals, who are not otherwise eligible for full Medicaid benefits and with resources at or below twice the standard allowed under the SSI program, will get help with their monthly Medicare Part B premiums if their income exceeds the SLMB level but is less than 135 percent of the FPL.

Individuals who were receiving Medicare due to disability, but have lost entitlement to Medicare benefits because they returned to work may buy Medicare Part A. If the individual has income below 200 percent of the FPL and resources at or below twice the standard allowed under the SSI program and they are not otherwise eligible for Medicaid benefits, he or she may qualify to have Medicaid pay the monthly Medicare Part A premiums as Qualified Disabled and Working Individuals.

The Centers for Medicare & Medicaid Services (CMS) estimates that Medicaid currently provides some level of supplemental health coverage for about 6.5 million Medicare beneficiaries.

